

Testimony of Deere & Company  
to the  
U.S. House of Representatives Committee on Science  
Subcommittee on the Environment, Technology and Standards

Hearing on China, Europe and the Use of Standards as Trade Barriers:  
How should the U.S. Respond?

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## Introduction

Deere & Company is a U.S. based manufacturer of machinery and equipment for the agricultural, construction, forestry, and turf care commercial markets. John Deere products are currently sold in 160 countries around the world and we have more than 50 manufacturing operations located in 17 countries around the world. We consider it both an honor and privilege to share our experiences regarding standards and trade with this subcommittee here today.

We have been asked to provide testimony addressing questions in three areas of interest:

1. What has been the experience of your company with Chinese and European technical standards, and how do you work with these countries in this area? What are your concerns regarding the technical standards and standards practices of other countries?

John Deere products and those of our competitors in the markets we serve have not been heavily regulated compared to some other industries. Active participation in the development of and compliance with voluntary standards has been a long standing John Deere and in fact, industry practice. Primary reasons for this include:

- Demonstrating social responsibility by addressing health, safety and environmental concerns regarding our products and their use.

- Avoiding unnecessary regulation
- Managing risk regarding product liability
- Creating a supply base of affordable & readily available components
- Maintaining a level playing field for competition
- Documenting the “state of the art”

To these ends, we have involved John Deere employees who are “subject matter experts” on relevant standards development committees in the markets we serve. We’ve been involved in Europe since the 1960s and the level of our engagement has escalated significantly since 1992 to keep pace with standards development for the European Common Market. We are not yet as heavily engaged in China but we anticipate a growing involvement as the Chinese market develops.

Standards are a form of product specification for build and test. The cost of compliance is reflected in the market price for our products. However, as the demand for John Deere products grows globally, the cost of configuring product to unique local standards, especially those required by governments but not the consumers, becomes prohibitive for both manufacturer and the customers. The need for globally recognized and accepted standards that minimize the need for unnecessary and expensive product variation increases. As a result, the off highway equipment industry has gravitated to the development of a portfolio established under the auspices of the International Organization for Standards (ISO).

This “strategy” has worked effectively for us up to now but we do have concerns for the future based on recent experience and anticipated changes in the global market.

- In establishing the Common Market, the European top down, all encompassing approach to regulation, (as opposed the U.S. approach, based on addressing specific needs) coupled with linking regulatory compliance to voluntary standards through the “presumption of conformity” and a “best available technology” mindset has dramatically increased regulatory coverage and voluntary standards development.
- The European approach often results in horizontal type standards proposals setting requirements on broad, dissimilar types of off highway equipment. Examples include Environmental type standards (and Regulations) on Engine Emissions, Fuels, Environmental Noise, and "End of Life" standards that place additional burdens on manufacturers. While we are not opposed to goals and objectives of some of these initiatives, we have concerns that some proposals will not yield the desired results while timetables put our industry at risk of survival in terms of our abilities to recover the cost of the R&D investment while remaining competitive in the marketplace. The impacts, already being felt, are substantially higher product costs to the consumer with little direct value perceived by the customer. We would prefer a more vertical, product oriented approach to standards and regulation so the solutions can be

more effectively tailored to product use and more effectively deployed in global markets consistent with developing demand.

- The Europeans are aggressively exporting their system and their standards to other countries and developing markets around the world. The EU itself and individual member-states are providing millions of Euros in technical assistance in exchange for agreements to prefer European based standards, technology and EU producers. Countries like Brazil, Mexico, Russia and Israel are making such agreements, even when their markets show a clear preference for U.S. goods and services.
  - Many of the governments that control access to markets outside of the U.S. are skeptical of products complying with “voluntary” standards, no matter how broadly used, accepted and successful. Some have declared their intentions to regulate all aspects of the products entering their markets. In some cases, even products built to internationally recognized and accepted standards from ISO or IEC are not immediately acceptable.
  - Many countries within the WTO and signatories to the TBT agreement continue to be slow to implement the provisions and mechanisms within the agreement. This includes their failure to recognize standards set according to the TBT principles as “international” thereby creating potential problems for the acceptance of U.S. goods exported to those markets.
  - An even larger concern for our industry beyond the proliferation of country or regionally unique standards and regulatory requirements, is the issue of compliance, otherwise known as Conformity Assessment. Most countries outside the U.S. and Europe insist upon conducting their own assessments of conformity before products can enter their markets. For our products and our industry, these requirements represent a huge redundant and unnecessary cost that must be passed on to the consumer with no added value. Based upon the methods employed by some countries, it appears some of these requirements are more motivated by technology transfer than by consumer protection.
2. For your industry, how are standards developed in the U.S.? How is this different from the way standards are developed in our major trading partners such as Europe and Asia? What are the merits and drawbacks of these different systems? Is the U.S. system at a disadvantage in the global standards arena, and if so, why?

The primary players in developing standards for our industry include our trade associations where we can legally collaborate with our competitors on needs for new or revised standards requirements. For Agricultural, Construction and Forestry equipment we work through the Association of Equipment Manufacturers (AEM); Turf care equipment, the Outdoor Power Equipment Institute (OPEI) and for Engines, the Engine Manufacturers Association (EMA). Standards proposals are then worked either through

the American Society of Agricultural Engineers (ASAE) for Agricultural and Turf care, or the Society of Automotive Engineers (SAE) for Construction, Forestry and Engines where the U.S. Technical Advisory Groups for the relevant ISO committees are administered. The U.S. developed proposals and positions are then introduced in their relevant ISO committees with the ultimate objective of obtaining an internationally recognized and accepted document so that machines made to comply have the broadest possible market access. To ensure the broadest acceptability of U.S. positions we also encourage our U.S. Trade Associations to coordinate with European, South American and Asian Trade Associations where we maintain membership and “socialize” our proposals and address any expressed concerns from the global stakeholders.

In the past, ASAE and SAE often published their own versions of Standards. As the industry has become more globally focused, we have evolved to using ISO as our primary development mechanism and have moved to eliminate the need for redundant documents. This has forced some changes in how the industry funds ASAE and SAE for executing their role in the process and elevated the strategic importance of ANSI as the U.S. member body of ISO. That is why John Deere and some of our competitors are active participants in ANSI.

Because of our industry commitment to ISO, the differences between the U.S. process and those in other countries are not as great as they are for some other industry sectors. The primary difference is that many participants in ISO Technical Committees are not “subject matter experts” who have a working knowledge of the industry, the products and technologies, but are National Standards Body bureaucrats or even government representatives who do not contribute to the technical debate, but do have a vote in the final outcome. This brings an element of international politics into the process that is often frustrating.

For the Off Highway Industry the ISO process is preferred to the national or regional alternatives for the following reasons.

- It offers broad political acceptance of the standards.
- We can have a seat at the table and our delegation can include “subject matter experts”.
- Any dependence on alternative “international” processes leaves the door open for competing standards to be developed and gain political acceptance.

Compared to most U.S. based standards developing organizations, National or Regional Standards Bodies are more closed to outside participation, less transparent regarding what is being considered and often less balanced and occasionally biased against industry participation. Europe is now somewhat more participative and open than it was in 1992 but still not up to U.S. expectations. China is just starting to emerge as a significant international force in standards but at this point, does not appear to be quickly embracing open participation.

The primary drawbacks to the ISO process are:

- The U.S. can be disadvantaged by the “one country – one vote” if there are not enough “P” members at the table to represent the full extent of the global market.
- When many stakeholders are at the table it can take longer to reach consensus.

Up to this point in time, John Deere does not believe our industry has been seriously disadvantaged in the global standards arena because of our early involvement, the quality of our input and because we’ve been able to deliver excellent products and support services wherever we do business. We have not often seen the need to appeal to government for assistance, preferring instead to work the challenges ourselves.

However, as the Governments that control access to markets outside of the developed world start to move toward more regulation, unique and sometimes unjustified standards requirements and insist on mandatory but redundant testing regardless of brand recognition or excellent product experience, we believe better communication between the private sector and government and better alignment between the private sectors and the multiple departments and agencies of government is essential to maintain a level playing field for U.S. based industry.

3. What should the Federal government, state governments, U.S. standards-setting organizations, and companies be doing to reduce your vulnerability to the use of standards as trade barriers, and how could they promote the use of non-discriminatory standards in the global marketplace? How should these efforts be coordinated?

First of all, the Federal and State governments need to educate themselves on the issues relating to standards in trade because, like other issues before Congress, they are complex and will not yield to simple fixes. Hearings such as this one today are a good start and John Deere applauds the Chairman’s initiative in scheduling it, but while one hearing is necessary, it is not likely sufficient given the magnitude of the challenge. While we believe most if not all U.S. standards setting organizations are already well aware of the issues, many companies are just starting to understand the implications and many small and medium size manufacturers and service providers remain unaware.

In this vain, we seriously urge Congress to consider endorsement of the United States Standards Strategy (USSS), currently being developed by a large cross-section of U.S. industry, standards developing organizations, standards developing consortia, government agencies, consumer groups and conformity assessment organizations under the auspices of ANSI. It highlights the inherent strengths of the U.S. Standards system and recommends activities, if undertaken and executed effectively may neutralize much of what is currently perceived by some as a disadvantage to U.S. interests.

Going beyond endorsing the strategy, we believe that Federal and State governments need to put a high priority on providing more Technical Assistance to our trading partners and into the promotion of U.S. based standards and technology as an alternative to the European approach. Specific activities funded by the industries like ours have helped in some sectors but are not sufficient given the scope of the European effort. We do not believe we have to match the European Union dollar for euro, but a greater percentage of the funding currently going to facilitate development through organizations like USAID, should be allocated to Technical Assistance with due consideration to priorities based on trading volumes and strategic relationships.

Similarly, we need consistent and predictable funding of the Standards and Trade activities in the Department of Commerce, NIST, the International Trade Administration, USTR, the Departments of State, Defense and Energy and other agencies but with the assurance of more effective coordination between these agencies. The Interagency Council on Standards already exists but needs broader participation from some Departments and Agencies and a higher level of visibility to its recommendations. To this end, we respectfully suggest Congress might consider amending the National Technology Transfer Act of 1996 to put more emphasis on such communication, coordination and alignment with consideration of creating a Standards “czar” to provide appropriate accountability.